

PRESS RELEASE

FOR IMMEDIATE RELEASE
April 23, 2004

For Information Contact Public Affairs
SANDY RAYNOR
Telephone: (602) 514-7625
Pager: (602) 356-5318

TWO FORMER BOEING EMPLOYEES FOUND GUILTY OF FRAUD, MONEY LAUNDERING & OTHER CHARGES

PHOENIX -- The United States Attorney's Office for the District of Arizona announced that on April 20, 2004, a federal jury in Phoenix found Patrick T. Buckner, born October 1, 1960, of Gilbert, Arizona, guilty of one count of conspiracy, 13 counts of wire fraud, two counts of mail fraud, one count of interstate transportation of stolen property and seven counts of money laundering. The jury also found John E. Reagan, born April 13, 1943, of Mesa, Arizona guilty of one count of conspiracy, four counts of wire fraud, one count of money laundering and one count of making a false statement to federal law enforcement agent. The jury also returned verdicts calling for the forfeiture of \$140,000 from Buckner and \$55,000 from Reagan. The jury was unable to reach a verdict on a third defendant, Terry G. Capehart, as to the conspiracy charge.

The evidence at trial showed that Buckner and Reagan used their positions at the Boeing Company to take kickbacks for free helicopter parts. The kickbacks were paid by privately owned service centers handling Boeing spare parts for the MD500, a commercial helicopter. The evidence showed that two service centers paid Buckner, who was the head of

-MORE-

spare part sales and warranty replacement, over \$400,000 in kickbacks and paid Reagan, who was in charge of customer support, \$225,000 in kickbacks. In a two-year period, over \$1.5 million in free parts went to the two service centers.

The evidence also showed that Buckner defrauded his employer by competing against Boeing without its knowledge and to its economic loss. Buckner sold helicopter parts to ELC, a business that had contracts with the Republic of South Korean Army ("RoKA") to supply spare MD500 parts. Buckner also had a 30 percent ownership interest in ELC. RoKA, which had a fleet of over 200 MD500 helicopters that it converted to military use, was Boeing's largest customer. Buckner sold ELC parts such as tail rotor blades that he stole from Boeing, and he played a role in finding a Boeing competitor's tail rotor blades that could be used as replacements for the MD500. In the process, Boeing lost the value not only of the stolen parts but the potential sales taken by the rival's products. Buckner earned \$250,000 in shareholder profits during a two-year period.

Buckner was charged with violating Title 18 of the United States Code, Sections 371, conspiracy, 1343 and 1346, wire fraud and deprivation of honest services, 1341, mail fraud, 2314, interstate transportation of stolen property, and 1957, money laundering. Reagan was charged with violating Title 18, United States Code, Sections 371, 1343, 1346 and 1957. The case was tried before United States District Court Judge Earl H. Carroll, over a period of approximately eight weeks.

A conviction for violations of Title 18, Sections 371, 1341, 1343 and 1346 each carry a maximum penalties of five years, a \$250,000 fine or both. A conviction for violations of Title 18, Sections 1957 and 2314 carry a maximum penalty of 10 years, a fine of \$250,000 or both.

The investigation leading to the guilty verdict was conducted by the Federal Bureau of Investigation.

Sentencing is set before Judge Earl H. Carroll on August 9, 2004.

The prosecution is being handled by David Eisenberg and Michelle Hamilton-Burns, Assistant United States Attorneys, District of Arizona, Phoenix, Arizona.

CASE NUMBER: CR-01-1104-PHX-EHC

RELEASE NUMBER: 2004-073

#